



Issued by: Test-Rite International Co. Ltd (Ticker: 2908 TT/ 2908 TW)
Subject: Test-Rite 3Q17 earnings result announcement

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Test-Rite reports 3Q17 revenue of NT\$ 9.27 bn, net income of NT\$161 mn, and basic EPS of NT\$0.32 which is NT\$0.02 more than the comparable period. Accumulated revenue of NT\$ 28.3 bn, net income of NT\$ 601 mn, and basic EPS of NT\$1.18 which is NT\$0.05 more than the comparable period.

Financial result has showed positive growth in the comparable period. Revenue and net income has soared 7.1% and 6% separately. Revenue is benefited from the double-digit growth of trading in the U.S. market. Net income is further improved by the reduction of losses in China retail business.

The consolidated trading revenue has reached NT\$4.3 billion, 25% growth YoY, in the 3Q17. Net profit, nevertheless, is impacted by the sluggish sales of BBQ grill and inventory adjustments in Europe. The decreased agency shipment is also influential to the trading profitability. The 3Q net profit of trading is NT\$163 million, 15% decrease YoY.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan saw sales of NT\$ 4.1 bn. To tackle the real-estate downturn, Test Rite has implemented tighter control of operating expenses. Besides, the success of private label products and direct purchase from factories have contributed additional gross margin which greatly balanced unfavorable factors. Therefore, Taiwan retail business is able to maintain the profitability as before. The 3Q net profit of Taiwan retail is NT\$70 million, 2.6% decrease YoY. TLW Private Label products accounted for 12.8% sales of TLW. On the other hand, HOLA Private Label products accounted for 32.6% sales of HOLA.

HOLA China showed revenue of NT\$ 0.66 bn and net loss of NT\$ 64 mn in 3Q17. Operations have greatly improved after closing the underperformed stores in the past year. Operating expense of HOLA China has substantially decreased. Same-store-sales has increased and the net loss has further reduced by 31% in the comparable period. We expect the net losses of HOLA China will be improved quarter by quarter. As of the cut-off date, Test-Rite Group operated 27 TLW (DIY) stores, 25 HOLA stores in Taiwan, and 27 HOLA stores in China.

(Please see Figure 1 for our 3Q17 consolidated P&L)

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Figure 1 –Test-Rite IFRS based consolidated P&L for 3Q17

(NT\$mn)	3Q17	3Q16	YoY%	FY2017	FY2016	YoY%
Consolidated sales	9,271	8,658	7.1%	28,266	27,057	4.5%
COGS	(6,662)	(5,894)	13.0%	(20,053)	(18,454)	8.7%
Gross profit	2,609	2,764	-5.6%	8,213	8,603	-4.5%
Operating Expense	(2,428)	(2,583)	-6.0%	(7,430)	(7,882)	-5.7%
Operating profit	181	181	0.0%	783	721	8.5%
Non-operating income/loss	(24)	2	NA	(96)	69	NA
Pre-tax profit	157	183	-14.5%	688	791	-13.1%
Net profit	161	152	6.0%	601	576	4.4%
Other net profit	34	(65)	NA	(5)	(117)	-95.5%
Total net profit	195	87	123.4%	596	459	29.8%
Net profit attribute to TRIC shareholders	161	152	6.0%	601	576	4.4%
NT dollar (After Tax)						
Basic EPS	0.32	0.3	4.4%	1.18	1.13	4.6%
Gross margin	28.1%	31.9%	-3.8%	29.1%	31.8%	-2.7%
Operating margin	2.0%	2.1%	-0.1%	2.8%	2.7%	0.1%
Pretax margin	1.7%	2.1%	-0.4%	2.4%	2.9%	-0.5%
Net margin	1.7%	1.8%	0.0%	2.1%	2.1%	0.0%

Figure2–Test-Rite IFRS based consolidated sales and profit by BU for 3Q17

Sales by BU (NT\$ mn)	3Q17	3Q16	YoY%	FY2017	FY2016	YoY%
Taiwan Retail	4,045	4,114	-1.7%	12,552	13,192	-4.9%
HOLA China	657	797	-17.5%	2,037	2,594	-21.5%
Trading	4,297	3,438	25.0%	12,946	10,397	24.5%
Others	272	309	-12.0%	731	875	-16.4%
Consolidated Sales	9,271	8,658	7.1%	28,266	27,057	4.5%
Net Profit by BU (NT\$ mn)	3Q17	3Q16	YoY%	FY2017	FY2016	YoY%
Taiwan Retail	70	72	-2.6%	386	414	-6.7%
HOLA China	(64)	(92)	-31.0%	(216)	(319)	-32.3%
Trading	163	192	-15.0%	521	583	-10.8%
Others	(8)	(20)	-58.1%	(90)	(102)	-11.8%
Consolidated Net Profit	161	152	6.0%	601	576	4.4%

© Trading included Great China, TRPC, SO/RO, and related party transactions write-off.

▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

^ HOLA China only included HOLA China.

Others included Life 1 Plaza, TRR others, Chung Cin, group office expense, and gain on sale and leaseback